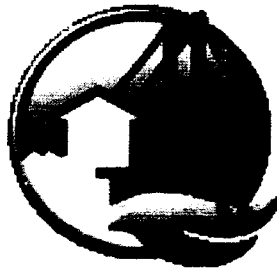


*deficit*

**VILLAGE OF MACKINAW CITY**  
*16-3010*  
**MACKINAW CITY, MICHIGAN**



**FINANCIAL STATEMENTS**

**FEBRUARY 29, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

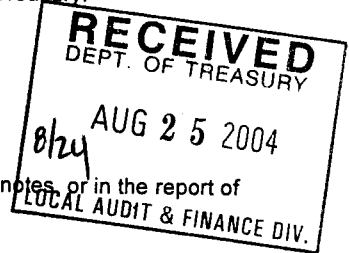
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Mackinaw City</b>	County <b>Emmet/Cheboygan</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>6/14/04</b>	Date Accountant Report Submitted to State: <b>8/20/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>902 South Huron St. PO Box 250</b>		City <b>Cheboygan</b>	State <b>MI</b>
Accountant Signature <i>Charles E. Rehmann CPA</i>		ZIP <b>49721</b>	Date <i>August 19, 2004</i>

# VILLAGE OF MACKINAW CITY

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-11
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15-16
Statement of Revenues, Expenditures and Changes in Fund	
Balances – Governmental Funds	17-18
Statement of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual	
General Fund	19
Major Street Fund	20
Local Street Fund	21
Municipal Street Fund	22
Ambulance Fund	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses and	
Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26-27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets –	
Pension Trust Fund	29
Notes to Financial Statements	30-47

# VILLAGE OF MACKINAW CITY

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b>Supplementary Information</b>	
Detail Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund	48
Detail Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	49
Combining Balance Sheet – Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	51
Combining Balance Sheet – Nonmajor Special Revenue Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	53
Combining Balance Sheet – Nonmajor Debt Service Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds	55
Combining Balance Sheet – Nonmajor Capital Project Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	57
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	58
<b>Internal Control and Compliance</b>	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

## **INDEPENDENT AUDITORS' REPORT**

June 14, 2004

Village Council  
Village of Mackinaw City  
Mackinaw City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Mackinaw City***, (the "Village"), as of and for the year ended February 29, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of February 29, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Rehmann Lohsen*

## Management's Discussion and Analysis

As management of the **Village of Mackinaw City**, (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2004.

### Financial Highlights

- The total assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$13,729,429 (*net assets*). Of this amount, \$2,750,840 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$330,428.
- The Village's total debt decreased by \$283,551 during the current fiscal year; there was no new debt issued during the current year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$339,337, or 23% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., compensated absences).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, highways and streets, health and welfare, and recreation and culture. The business-type activities of the Village include water and sewer and marina.

The government-wide financial statements include not only the Village itself (known as the *primary government*), but also the Downtown Development Authority component unit, which is a legally separate entity for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, Local Street Fund, Municipal Street Fund, Ambulance Fund, 1997 Special Assessment Bonds Fund, and 2000 Special Assessment Bonds Fund, which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 50-58 in this report.



The Village adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with the General Fund and all major special revenue funds budgets.

The basic governmental funds financial statements can be found on pages 15-23 of this report.

**Proprietary funds.** The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer and marina operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Marina Fund, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-47 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes. Combining and individual fund statements and schedules can be found on pages 48-58 of this report.

### **Government-wide Financial Analysis - Primary Government**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$13,729,429 at the close of fiscal 2004.

A large portion of the Village's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, water and sewer systems, marina and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (20%) may be used to meet the government's ongoing obligations to citizens and creditors.

**Village of Mackinaw City - Primary Government  
Condensed Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets</b>						
Cash and other assets	\$ 1,714,083	\$ 2,004,399	\$ 1,677,941	\$ 1,698,783	\$ 3,392,024	\$ 3,703,182
Capital assets, net of accumulated depreciation	<u>5,684,615</u>	<u>5,203,104</u>	<u>6,909,536</u>	<u>7,007,902</u>	<u>12,594,151</u>	<u>12,211,006</u>
<b>Total assets</b>	<b><u>7,398,698</u></b>	<b><u>7,207,503</u></b>	<b><u>8,587,477</u></b>	<b><u>8,706,685</u></b>	<b><u>15,986,175</u></b>	<b><u>15,914,188</u></b>
<b>Liabilities</b>						
Current and other liabilities	334,052	391,180	152,705	124,175	486,757	515,355
Long-term debt, net of current portion	<u>1,324,989</u>	<u>1,479,832</u>	<u>445,000</u>	<u>500,000</u>	<u>1,769,989</u>	<u>1,979,832</u>
<b>Total liabilities</b>	<b><u>1,659,041</u></b>	<b><u>1,871,012</u></b>	<b><u>597,705</u></b>	<b><u>624,175</u></b>	<b><u>2,256,746</u></b>	<b><u>2,495,187</u></b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	4,304,958	3,589,895	6,409,536	6,457,902	10,714,494	10,047,797
Restricted	144,095	111,278	120,000	120,000	264,095	231,278
Unrestricted	<u>1,290,604</u>	<u>1,635,318</u>	<u>1,460,236</u>	<u>1,504,608</u>	<u>2,750,840</u>	<u>3,139,926</u>
<b>Total net assets</b>	<b><u>\$ 5,739,657</u></b>	<b><u>\$ 5,336,491</u></b>	<b><u>\$ 7,989,772</u></b>	<b><u>\$ 8,082,510</u></b>	<b><u>\$ 13,729,429</u></b>	<b><u>\$13,419,001</u></b>

At the end of fiscal 2004, the Village is able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

The Village's net assets increased by approximately \$330,000 during fiscal 2004. This increase is mainly attributable to an increase in property tax values and the Village's goal of retaining net assets for future infrastructure projects.

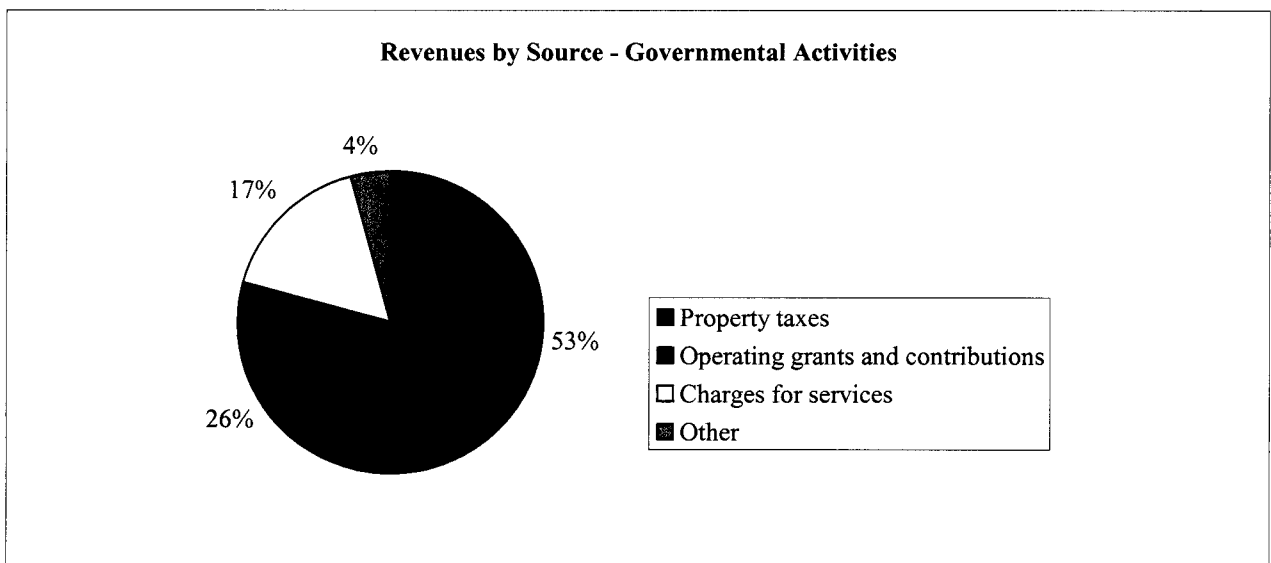
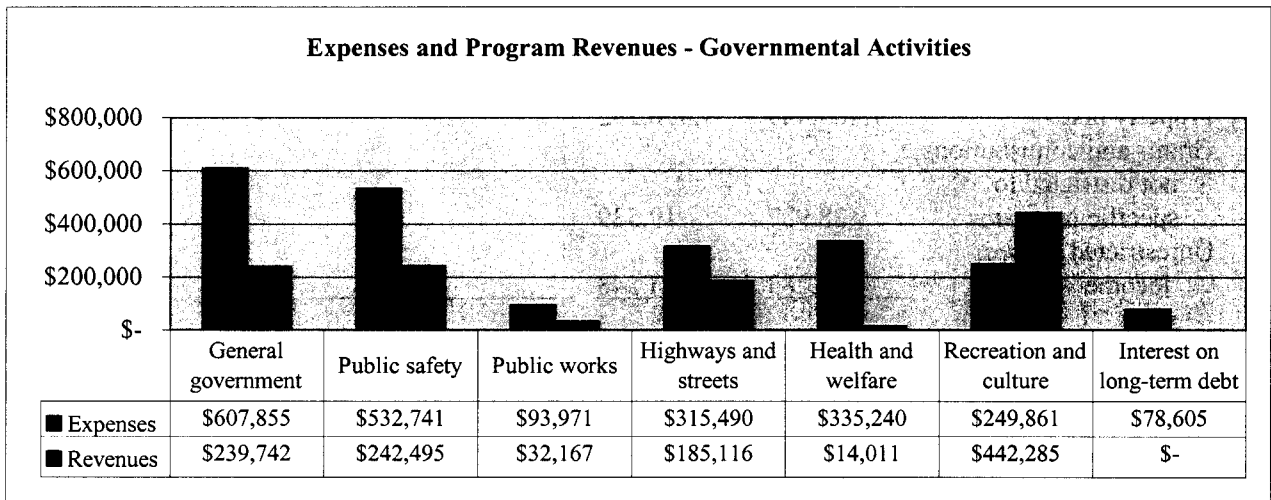
**Village of Mackinaw City - Primary Government**  
**Condensed Statement of Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 437,043	\$ 594,415	\$ 1,162,165	\$ 1,248,317	\$ 1,599,208	\$ 1,842,732
Operating grants and contributions	686,505	367,919	26,674	41,580	713,179	409,499
Capital grants and contributions	32,268	1,130	-	8,138	32,268	9,268
General revenues						
Property taxes	1,404,449	1,376,292	-	-	1,404,449	1,376,292
Grants and contributions not restricted to specific programs	28,987	19,539	-	-	28,987	19,539
Unrestricted interest income	<u>31,283</u>	<u>15,548</u>	<u>-</u>	<u>-</u>	<u>31,283</u>	<u>15,548</u>
<b>Total revenues</b>	<b><u>2,620,535</u></b>	<b><u>2,374,843</u></b>	<b><u>1,188,839</u></b>	<b><u>1,298,035</u></b>	<b><u>3,809,374</u></b>	<b><u>3,672,878</u></b>
<b>Expenses</b>						
General government	607,855	496,952	-	-	607,855	496,952
Public safety	532,741	439,956	-	-	532,741	439,956
Public works	93,971	101,165	-	-	93,971	101,165
Highways and streets	315,490	307,971	-	-	315,490	307,971
Health and welfare	335,240	357,219	-	-	335,240	357,219
Recreation and culture	249,861	299,479	-	-	249,861	299,479
Interest on long-term debt	78,605	85,927	-	-	78,605	85,927
Water and sewer	-	-	741,254	717,172	741,254	717,172
Marina	<u>-</u>	<u>-</u>	<u>523,929</u>	<u>470,132</u>	<u>523,929</u>	<u>470,132</u>
<b>Total expenses</b>	<b><u>2,213,763</u></b>	<b><u>2,088,669</u></b>	<b><u>1,265,183</u></b>	<b><u>1,187,304</u></b>	<b><u>3,478,946</u></b>	<b><u>3,275,973</u></b>
Increase (decrease) in net assets before transfers	406,772	286,174	(76,344)	110,731	330,428	396,905
Transfers	<u>16,394</u>	<u>16,394</u>	<u>(16,394)</u>	<u>(16,394)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<b>423,166</b>	<b>302,568</b>	<b>(92,738)</b>	<b>94,337</b>	<b>330,428</b>	<b>396,905</b>
Net assets – beginning of year (as restated)	<u>5,316,491</u>	<u>5,033,923</u>	<u>8,082,510</u>	<u>7,988,173</u>	<u>13,399,001</u>	<u>13,022,096</u>
<b>Net assets – end of year</b>	<b><u>\$ 5,739,657</u></b>	<b><u>\$ 5,336,491</u></b>	<b><u>\$ 7,989,772</u></b>	<b><u>\$ 8,082,510</u></b>	<b><u>\$13,729,429</u></b>	<b><u>\$13,419,001</u></b>

**Governmental activities.** Governmental activities increased the Village's net assets by \$423,166.

Key elements of this increase are as follows:

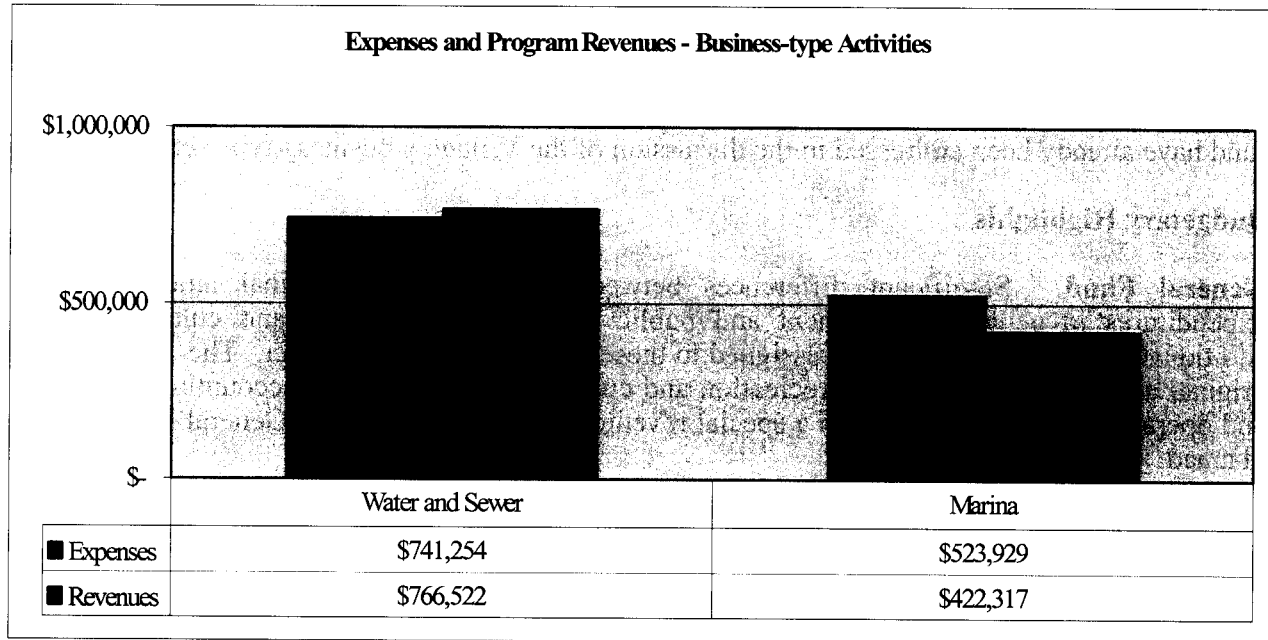
- Increase in property tax.
- Retention of net assets for future infrastructure projects.



**Business-type activities.** Business-type activities decreased the Village's net assets by \$92,738.

Key elements of the current year decrease are:

- Increase in fringe benefits and repairs and maintenance.



Substantially all revenues for the business-type activities resulted from charge for services.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2004, the Village's governmental funds reported combined ending fund balances of \$940,064, a decrease of \$237,898. *Unreserved fund balance* of \$763,816 is available for spending at the Village's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The fund balance of the Village's General Fund decreased by approximately \$64,000 during the current fiscal year, which was mainly attributable to capital improvements.

The fund balance of the Ambulance Fund decreased by approximately \$57,000 during the current fiscal year, which was mainly attributable to a cap on Medicare and Medicaid reimbursements.

There were no other significant changes to the fund balance of the other major governmental funds.

**Proprietary funds.** The Village's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,294,713. The Water and Sewer Fund had an increase in net assets for the year of \$8,874. Factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

Unrestricted net assets of the Marina Fund at the end of the year amounted to \$165,523. The Marina Fund had a decrease in net assets for the year of \$101,612. Factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

### **Budgetary Highlights**

**General Fund.** Significant differences between the original and final amended budget for expenditures in general government and public safety, and recreation and culture resulted from additional projects or duties being assigned to these areas throughout the year. The difference between original and amended budget for recreation and culture resulted from the accounting for the purchase and operation of a trail groomer in a special revenue fund instead of in the General Fund, as originally planned.

### **Capital Asset and Debt Administration**

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of February 29, 2004, amounted to \$12,594,151 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, infrastructure, water and sewer system, marina, vehicles and equipment.

Additional information on the Village's capital assets can be found in note 3C on pages 39-41 of this report.

Major capital asset events during the current fiscal year included the following:

- Jamet Street reconstruction.
- Central Avenue sidewalk project.
- Improvements to Conkling Heritage Park.

**Long-term debt.** At February 29, 2004, the Village had total debt outstanding of \$2,068,311. Of this amount, \$1,568,311 is comprised of debt backed by the full faith and credit of the Village. The remainder of the Village's bonded debt represents bonds secured solely by specified revenue sources.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized valuation. The current debt limitation for the Village is approximately \$9,600,000, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in Note 3G on pages 43-46 of this report.

## **Economic Factors and Fiscal 2004-2005 Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2004-05 fiscal year:

- Increase in property tax value.
- Reduction in Medicare and Medicaid reimbursements.
- Decrease in State Shared revenue.
- Proposed infrastructure projects.

## **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, PO Box 580, Mackinaw City, Michigan 49701.

**BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# VILLAGE OF MACKINAW CITY

## STATEMENT OF NET ASSETS

FEBRUARY 29, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 683,853	\$ 697,669	\$ 1,381,522	\$ 2,947
Investments	403,569	524,554	928,123	2,216
Receivables, net	740,529	163,928	904,457	2,671
Internal balances	(161,049)	161,049	-	-
Inventories	-	10,741	10,741	-
Advance to component unit	24,181	-	24,181	-
Restricted assets	23,000	120,000	143,000	-
Capital assets, net	5,684,615	6,909,536	12,594,151	-
<b>Total assets</b>	<b>7,398,698</b>	<b>8,587,477</b>	<b>15,986,175</b>	<b>7,834</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	90,730	30,677	121,407	-
Deferred revenue	-	67,028	67,028	-
Advance from primary government	-	-	-	24,181
Long-term liabilities				
Due within one year	243,322	55,000	298,322	-
Due in more than one year	1,324,989	445,000	1,769,989	-
<b>Total liabilities</b>	<b>1,659,041</b>	<b>597,705</b>	<b>2,256,746</b>	<b>24,181</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,304,958	6,409,536	10,714,494	-
Restricted for debt service	144,095	120,000	264,095	-
Unrestricted	1,290,604	1,460,236	2,750,840	(16,347)
<b>Total net assets (deficiency)</b>	<b>\$ 5,739,657</b>	<b>\$ 7,989,772</b>	<b>\$ 13,729,429</b>	<b>\$ (16,347)</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 29, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
General government	\$ 607,855	\$ 155,664	\$ 84,078	\$ -	\$ (368,113)
Public safety	532,741	203,621	37,789	1,085	(290,246)
Public works	93,971	1,804	30,363	-	(61,804)
Highways and streets	315,490	-	153,933	31,183	(130,374)
Health and welfare	335,240	11,530	2,481	-	(321,229)
Recreation and culture	249,861	64,424	377,861	-	192,424
Interest on long-term debt	78,605	-	-	-	(78,605)
Total governmental activities	2,213,763	437,043	686,505	32,268	(1,057,947)
Business-type activities					
Water and sewer	741,254	742,240	24,282	-	25,268
Marina	523,929	419,925	2,392	-	(101,612)
Total business-type activities	1,265,183	1,162,165	26,674	-	(76,344)
<b>Total primary government</b>	<b>\$ 3,478,946</b>	<b>\$ 1,599,208</b>	<b>\$ 713,179</b>	<b>\$ 32,268</b>	<b>\$ 1,134,291</b>
<b>Discretely presented component unit</b>					
Downtown development	\$ 3,129	\$ -	\$ -	\$ -	\$ (3,129)

Continued...

# VILLAGE OF MACKINAW CITY

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 29, 2004

Functions/Programs	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net expense	\$ (1,057,947)	\$ (76,344)	\$ (1,134,291)	\$ (3,129)
General revenues				
Property taxes	1,404,449	-	1,404,449	34,292
Grants and contributions not restricted to specific programs	28,987	-	28,987	-
Unrestricted interest income	31,283	-	31,283	248
Transfers - internal activities	16,394	(16,394)	-	-
Total general revenues and transfers	1,481,113	(16,394)	1,464,719	34,540
<b>Change in net assets</b>	<b>423,166</b>	<b>(92,738)</b>	<b>330,428</b>	<b>31,411</b>
Net assets (deficiency), beginning of year, as restated (Note 3H)	5,316,491	8,082,510	13,399,001	(47,758)
<b>Net assets (deficiency), end of year</b>	<b>\$ 5,739,657</b>	<b>\$ 7,989,772</b>	<b>\$ 13,729,429</b>	<b>\$ (16,347)</b>

Concluded

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS**

# VILLAGE OF MACKINAW CITY

## BALANCE SHEET GOVERNMENTAL FUNDS

FEBRUARY 29, 2004

	General	Major Street	Local Street	Municipal Street
<b>ASSETS</b>				
Cash and cash equivalents	\$ 287,295	\$ 1,209	\$ 494	\$ (2,575)
Investments	207,765	909	371	(1,937)
Accounts receivable	4,887	-	-	-
Taxes receivable	49,211	-	-	19,898
Special assessment receivable	-	-	-	198,030
Due from other governmental units	19,646	38,204	4,164	-
Advance to component unit	24,181	-	-	-
Restricted assets	-	-	-	-
<b>Total assets</b>	<b>\$ 592,985</b>	<b>\$ 40,322</b>	<b>\$ 5,029</b>	<b>\$ 213,416</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 20,389	\$ 4,399	\$ 887	\$ -
Accrued expenses	38,148	2,719	2,573	-
Due to other funds	-	-	-	-
Deferred revenue	9,881	-	-	198,030
Advance from other fund	161,049	-	-	-
<b>Total liabilities</b>	<b>229,467</b>	<b>7,118</b>	<b>3,460</b>	<b>198,030</b>
<b>Fund balances</b>				
Reserved for				
Advance to component unit	24,181	-	-	-
Recreation facilities	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated - General Fund	11,948	-	-	-
Designated - Special Revenue Funds				
Subsequent years' expenditures	-	-	-	-
Accrued sick and vacation	-	-	-	-
State dock maintenance	-	-	-	-
Undesignated	327,389	33,204	1,569	15,386
Undesignated, reported in nonmajor				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
<b>Total fund balances</b>	<b>363,518</b>	<b>33,204</b>	<b>1,569</b>	<b>15,386</b>
<b>Total liabilities and fund balances</b>	<b>\$ 592,985</b>	<b>\$ 40,322</b>	<b>\$ 5,029</b>	<b>\$ 213,416</b>

The accompanying notes are an integral part of these financial statements.

<b>Ambulance</b>	<b>1997 Special Assessment Bonds</b>	<b>2000 Special Assessment Bonds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 25,707	\$ 51,001	\$ 29,926	\$ 205,424	\$ 598,481
19,298	-	-	112,948	339,354
28,351	-	-	37,922	71,160
-	-	-	816	69,925
-	123,313	140,849	75,238	537,430
-	-	-	-	62,014
-	-	-	-	24,181
-	-	-	23,000	23,000
<b>\$ 73,356</b>	<b>\$ 174,314</b>	<b>\$ 170,775</b>	<b>\$ 455,348</b>	<b>\$ 1,725,545</b>

\$ 105	\$ -	\$ -	\$ 2,792	\$ 28,572
2,635	-	-	489	46,564
-	-	-	1,985	1,985
-	123,313	140,849	75,238	547,311
-	-	-	-	161,049
<b>2,740</b>	<b>123,313</b>	<b>140,849</b>	<b>80,504</b>	<b>785,481</b>

-	-	-	-	24,181
-	-	-	7,972	7,972
-	51,001	29,926	63,168	144,095
-	-	-	-	11,948
-	-	-	4,559	4,559
-	-	-	91,939	91,939
-	-	-	61,688	61,688
70,616	-	-	-	448,164
-	-	-	144,632	144,632
-	-	-	886	886
<b>70,616</b>	<b>51,001</b>	<b>29,926</b>	<b>374,844</b>	<b>940,064</b>
<b>\$ 73,356</b>	<b>\$ 174,314</b>	<b>\$ 170,775</b>	<b>\$ 455,348</b>	<b>\$ 1,725,545</b>

**VILLAGE OF MACKINAW CITY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**FEBRUARY 29, 2004**

---

**Reconciliation of fund balances on the balance sheet for governmental activities  
to the statement of net assets**

Fund balances - total governmental funds \$ 940,064

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.

Add: capital assets 6,939,632  
Subtract: accumulated depreciation (1,457,617)

The focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred special assessment revenues and other deferred revenues 547,311

Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in an internal service fund 349,606

Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds and notes payable (1,379,657)  
Subtract: compensated absences (188,654)  
Subtract: accrued interest on long-term liabilities (11,028)

**Net assets of governmental activities**

**\$ 5,739,657**

Concluded

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	General	Major Street	Local Street	Municipal Street
<b>Revenues</b>				
Property taxes	\$ 987,876	\$ -	\$ -	\$ 400,169
Federal revenue	69,729	-	-	-
State revenue	129,840	119,613	54,258	1,230
Special assessments	-	-	-	4,770
Licenses and permits	12,055	-	-	-
Contributions	273,019	-	-	-
Charges for services	13,952	6,575	-	-
Fines and forfeits	2,063	-	-	-
Interest	31,696	7	-	3,433
Rents and royalties	115,069	-	-	-
Miscellaneous	13,123	-	-	-
<b>Total revenues</b>	<b>1,648,422</b>	<b>126,195</b>	<b>54,258</b>	<b>409,602</b>
<b>Expenditures</b>				
Current				
Legislative	35,313	-	-	-
General government	541,689	-	-	-
Public safety	490,923	-	-	-
Public works	1,732	-	-	-
Highway and streets	-	561,323	147,222	34,100
Health and welfare	-	-	-	-
Recreation and culture	367,235	-	-	-
Other functions	9,016	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and paying agent fees	8,426	-	-	-
<b>Total expenditures</b>	<b>1,454,334</b>	<b>561,323</b>	<b>147,222</b>	<b>34,100</b>
<b>Revenues over (under) expenditures</b>	<b>194,088</b>	<b>(435,128)</b>	<b>(92,964)</b>	<b>375,502</b>
<b>Other financial sources (uses)</b>				
Transfers in	24,353	448,790	86,300	151,000
Transfers out	(282,313)	-	-	(528,970)
<b>Total other financing sources (uses)</b>	<b>(257,960)</b>	<b>448,790</b>	<b>86,300</b>	<b>(377,970)</b>
<b>Net change in fund balances</b>	<b>(63,872)</b>	<b>13,662</b>	<b>(6,664)</b>	<b>(2,468)</b>
Fund balances, beginning of year, as previously reported	427,390	19,542	8,233	17,854
Adjustment for error in recording allowance for doubtful accounts	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 363,518</b>	<b>\$ 33,204</b>	<b>\$ 1,569</b>	<b>\$ 15,386</b>

<u>Ambulance</u>	<u>1997 Special Assessment Bonds</u>	<u>2000 Special Assessment Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 16,404	\$ 1,404,449
-	-	-	-	69,729
-	-	-	9,954	314,895
-	47,945	23,475	27,914	104,104
-	-	-	-	12,055
29,214	-	-	9,317	311,550
200,156	-	-	60,785	281,468
-	-	-	-	2,063
1,051	10,876	10,994	11,472	69,529
-	-	-	-	115,069
3,124	-	-	21,677	37,924
<u>233,545</u>	<u>58,821</u>	<u>34,469</u>	<u>157,523</u>	<u>2,722,835</u>
-	-	-	-	35,313
-	-	-	36,936	578,625
-	-	-	-	490,923
-	-	-	-	1,732
-	-	-	-	742,645
286,692	-	-	2,693	289,385
-	-	-	124,171	491,406
-	-	-	7,143	16,159
3,687	-	-	13,190	16,877
-	45,000	30,000	158,551	233,551
-	8,593	10,176	53,316	80,511
<u>290,379</u>	<u>53,593</u>	<u>40,176</u>	<u>396,000</u>	<u>2,977,127</u>
<u>(56,834)</u>	<u>5,228</u>	<u>(5,707)</u>	<u>(238,477)</u>	<u>(254,292)</u>
-	-	-	310,820	1,021,263
-	-	-	(193,586)	(1,004,869)
-	-	-	117,234	16,394
<u>(56,834)</u>	<u>5,228</u>	<u>(5,707)</u>	<u>(121,243)</u>	<u>(237,898)</u>
147,450	45,773	35,633	496,087	1,197,962
(20,000)	-	-	-	(20,000)
<u>\$ 70,616</u>	<u>\$ 51,001</u>	<u>\$ 29,926</u>	<u>\$ 374,844</u>	<u>\$ 940,064</u>

Continued...

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

---

### Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

Net change in fund balances - total governmental funds \$ (237,898)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay capitalized during current year 803,478  
Subtract: depreciation expense (271,338)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year special assessments and other 547,311  
Subtract: prior year special assessments and other (649,611)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities 233,551

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: prior year accrued interest on bonds 12,935  
Subtract: current year accrued interest on bonds (11,028)  
Subtract: increase in the accrual of compensated absences (28,480)

Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service fund 2,090  
Add: net operating income from governmental activities accounted for in internal service fund 22,156

**Change in net assets of governmental activities** **\$ 423,166**

Concluded

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 926,300	\$ 936,458	\$ 987,876	\$ 51,418
Federal revenue	86,500	86,500	69,729	(16,771)
State revenue	106,900	106,900	129,840	22,940
Licenses and permits	6,000	6,000	12,055	6,055
Contributions	12,000	256,000	273,019	17,019
Charges for services	240	240	13,952	13,712
Fines and forfeits	1,800	1,800	2,063	263
Interest	31,000	31,000	31,696	696
Rentals	138,000	138,000	115,069	(22,931)
Miscellaneous	2,000	2,000	13,123	11,123
<b>Total revenues</b>	<b>1,310,740</b>	<b>1,564,898</b>	<b>1,648,422</b>	<b>83,524</b>
<b>Expenditures</b>				
Legislative	30,300	35,313	35,313	-
General government	518,615	541,689	541,689	-
Public safety	423,670	490,923	490,923	-
Public works	-	1,732	1,732	-
Recreation and culture	213,550	368,210	367,235	975
Other functions	12,500	12,500	9,016	3,484
Debt service	-	8,426	8,426	-
<b>Total expenditures</b>	<b>1,198,635</b>	<b>1,458,793</b>	<b>1,454,334</b>	<b>4,459</b>
<b>Revenues over expenditures</b>	<b>112,105</b>	<b>106,105</b>	<b>194,088</b>	<b>87,983</b>
<b>Other financing sources (uses)</b>				
Transfers in	79,000	79,000	24,353	(54,647)
Transfers out	(306,453)	(306,453)	(282,313)	24,140
<b>Total other financing sources (uses)</b>	<b>(227,453)</b>	<b>(227,453)</b>	<b>(257,960)</b>	<b>(30,507)</b>
<b>Net change in fund balances</b>	<b>(115,348)</b>	<b>(121,348)</b>	<b>(63,872)</b>	<b>57,476</b>
Fund balances, beginning of year	427,390	427,390	427,390	-
<b>Fund balances, end of year</b>	<b>\$ 312,042</b>	<b>\$ 306,042</b>	<b>\$ 363,518</b>	<b>\$ 57,476</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR STREET

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Revenues</b>				
State revenue				
State trunkline maintenance	\$ -	\$ -	\$ 10,344	\$ 10,344
Gas and weight tax distribution	68,000	68,000	79,316	11,316
Other	49,675	49,675	29,953	(19,722)
Charge for services	-	-	6,575	6,575
Interest	100	100	7	(93)
<b>Total revenues</b>	<b>117,675</b>	<b>117,775</b>	<b>126,195</b>	<b>8,420</b>
<b>Expenditures</b>				
Highways and streets				
Administration	27,150	27,150	23,423	3,727
Routine maintenance	60,400	60,400	45,270	15,130
Winter maintenance	36,200	36,200	53,068	(16,868)
Traffic services	10,470	10,470	8,087	2,383
Construction	375,500	427,103	431,475	(4,372)
<b>Total expenditures</b>	<b>509,720</b>	<b>561,323</b>	<b>561,323</b>	<b>-</b>
<b>Revenues under expenditures</b>	<b>(392,045)</b>	<b>(443,548)</b>	<b>(435,128)</b>	<b>8,420</b>
<b>Other financing sources</b>				
Transfers in	391,945	443,548	448,790	5,242
<b>Net change in fund balances</b>	<b>(100)</b>	<b>-</b>	<b>13,662</b>	<b>13,662</b>
Fund balances, beginning of year	19,542	19,542	19,542	-
<b>Fund balances, end of year</b>	<b>\$ 19,442</b>	<b>\$ 19,542</b>	<b>\$ 33,204</b>	<b>\$ 13,662</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOCAL STREET

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Revenues</b>				
State revenue				
State trunkline maintenance	\$ -	\$ 14,500	\$ 14,384	\$ (116)
Gas and weight tax distribution	32,750	39,750	39,874	124
Interest	10	10	-	(10)
<b>Total revenues</b>	<b>32,760</b>	<b>54,260</b>	<b>54,258</b>	<b>(2)</b>
<b>Expenditures</b>				
Highways and streets				
Administration	25,450	25,450	21,726	3,724
Routine maintenance	54,750	54,750	48,081	6,669
Winter maintenance	39,550	39,550	56,486	(16,936)
Traffic services	1,350	1,350	2,696	(1,346)
Construction	-	26,122	18,233	7,889
<b>Total expenditures</b>	<b>121,100</b>	<b>147,222</b>	<b>147,222</b>	<b>-</b>
<b>Revenues under expenditures</b>	<b>(88,340)</b>	<b>(92,962)</b>	<b>(92,964)</b>	<b>(2)</b>
<b>Other financing sources</b>				
Transfers in	88,340	88,340	86,300	(2,040)
<b>Net change in fund balances</b>	<b>-</b>	<b>(4,622)</b>	<b>(6,664)</b>	<b>(2,042)</b>
Fund balances, beginning of year	8,233	8,233	8,233	-
<b>Fund balances, end of year</b>	<b>\$ 8,233</b>	<b>\$ 3,611</b>	<b>\$ 1,569</b>	<b>\$ (2,042)</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL STREET

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 380,440	\$ 400,169	\$ 400,169	\$ -
State revenue	-	1,230	1,230	-
Special assessments	-	4,770	4,770	-
Interest	100	3,433	3,433	-
<b>Total revenues</b>	<b>380,540</b>	<b>409,602</b>	<b>409,602</b>	<b>-</b>
<b>Expenditures</b>				
Highways and streets				
Routine maintenance	40,000	34,100	34,100	-
<b>Revenues over expenditures</b>	<b>340,540</b>	<b>375,502</b>	<b>375,502</b>	<b>-</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	151,000	151,000	-
Transfers out	(340,540)	(528,970)	(528,970)	-
<b>Total other financing uses</b>	<b>(340,540)</b>	<b>(377,970)</b>	<b>(377,970)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(2,468)</b>	<b>(2,468)</b>	<b>-</b>
Fund balances, beginning of year	17,854	17,854	17,854	-
<b>Fund balances, end of year</b>	<b>\$ 17,854</b>	<b>\$ 15,386</b>	<b>\$ 15,386</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL AMBULANCE

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Revenues</b>				
Contributions from other governmental units	\$ 27,300	\$ 27,300	\$ 29,214	\$ 1,914
Charges for services	185,000	200,156	200,156	-
Interest	600	600	1,051	451
Miscellaneous	600	1,953	3,124	1,171
<b>Total revenues</b>	<b>213,500</b>	<b>230,009</b>	<b>233,545</b>	<b>3,536</b>
<b>Expenditures</b>				
Health and welfare	271,870	288,379	286,692	1,687
Capital outlay	2,000	2,000	3,687	(1,687)
<b>Total expenditures</b>	<b>273,870</b>	<b>290,379</b>	<b>290,379</b>	<b>-</b>
<b>Revenues under expenditures</b>	<b>(60,370)</b>	<b>(60,370)</b>	<b>(56,834)</b>	<b>3,536</b>
<b>Other financing sources (uses)</b>				
Transfers out	10,000	10,000	-	10,000
<b>Net change in fund balances</b>	<b>(70,370)</b>	<b>(70,370)</b>	<b>(56,834)</b>	<b>13,536</b>
Fund balances, beginning of year, as previously reported	147,450	147,450	147,450	-
Adjustment for error in recording allowance for doubtful accounts	-	-	(20,000)	(20,000)
<b>Fund balances, end of year</b>	<b>\$ 77,080</b>	<b>\$ 77,080</b>	<b>\$ 70,616</b>	<b>\$ (6,464)</b>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF MACKINAW CITY

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

FEBRUARY 29, 2004

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Marina Fund	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 584,683	\$ 112,986	\$ 697,669	\$ 85,372
Investments	439,790	84,764	524,554	64,215
Due from other funds	-	-	-	1,985
Accounts receivable	137,703	26,225	163,928	-
Inventory	-	10,741	10,741	-
<b>Total current assets</b>	<b>1,162,176</b>	<b>234,716</b>	<b>1,396,892</b>	<b>151,572</b>
<b>Property and equipment</b>				
Land	52,587	21,500	74,087	-
Land improvements	-	87,964	87,964	-
Buildings	71,791	-	71,791	-
Water and sewer system	7,501,770	-	7,501,770	-
Machinery and equipment	336,632	119,260	455,892	703,673
Marina	-	1,597,903	1,597,903	-
Less accumulated depreciation	(2,000,485)	(879,386)	(2,879,871)	(501,073)
<b>Net property and equipment</b>	<b>5,962,295</b>	<b>947,241</b>	<b>6,909,536</b>	<b>202,600</b>
<b>Other assets</b>				
Restricted assets	120,000	-	120,000	-
Advance to other fund	161,049	-	161,049	-
<b>Total other assets</b>	<b>281,049</b>	<b>-</b>	<b>281,049</b>	<b>-</b>
<b>Total assets</b>	<b>7,405,520</b>	<b>1,181,957</b>	<b>8,587,477</b>	<b>354,172</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	23,723	1,125	24,848	3,090
Accrued expenses	4,789	1,040	5,829	1,476
Deferred revenue	-	67,028	67,028	-
Bonds payable	55,000	-	55,000	-
<b>Total current liabilities</b>	<b>83,512</b>	<b>69,193</b>	<b>152,705</b>	<b>4,566</b>
<b>Long-term debt</b>				
Bonds payable (net of current portion)	445,000	-	445,000	-
<b>Total liabilities</b>	<b>528,512</b>	<b>69,193</b>	<b>597,705</b>	<b>4,566</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,462,295	947,241	6,409,536	202,600
Restricted	120,000	-	120,000	-
Unrestricted	1,294,713	165,523	1,460,236	147,006
<b>Total net assets</b>	<b>\$ 6,877,008</b>	<b>\$ 1,112,764</b>	<b>\$ 7,989,772</b>	<b>\$ 349,606</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Marina	Total	
<b>Operating revenues</b>				
Sales and charges for services	\$ -	\$ 419,925	\$ 419,925	\$ 187,825
Sales and charges for services pledged as security for revenue bonds	742,240	-	742,240	-
<b>Total operating revenues</b>	<b>742,240</b>	<b>419,925</b>	<b>1,162,165</b>	<b>187,825</b>
<b>Operating expenses</b>				
Salaries and wages	194,813	122,497	317,310	33,031
Fringe benefits	83,789	45,322	129,111	15,441
Supplies	76,581	20,359	96,940	4,082
Gasoline and oil	3,788	132,163	135,951	17,652
Repairs and maintenance	24,598	10,372	34,970	24,815
Contracted services	56,557	59,345	115,902	1,435
Communications	6,060	2,489	8,549	1,561
Conferences and workshops	1,330	-	1,330	(105)
Travel	2,684	379	3,063	93
Insurance	12,290	12,205	24,495	10,334
Utilities	81,385	32,598	113,983	6,701
Equipment rental	20,214	115	20,329	-
Depreciation	148,240	61,015	209,255	50,629
Miscellaneous	2,212	25,070	27,282	-
<b>Total operating expenses</b>	<b>714,541</b>	<b>523,929</b>	<b>1,238,470</b>	<b>165,669</b>
<b>Operating income (loss)</b>	<b>27,699</b>	<b>(104,004)</b>	<b>(76,305)</b>	<b>22,156</b>
<b>Non-operating revenues (expenses)</b>				
Interest earnings	24,282	2,392	26,674	2,090
Interest and fiscal charges	(26,713)	-	(26,713)	-
<b>Total non-operating revenues (expense)</b>	<b>(2,431)</b>	<b>2,392</b>	<b>(39)</b>	<b>2,090</b>
<b>Income (loss) before transfers</b>	<b>25,268</b>	<b>(101,612)</b>	<b>(76,344)</b>	<b>24,246</b>
Transfers out	(16,394)	-	(16,394)	-
<b>Change in net assets</b>	<b>8,874</b>	<b>(101,612)</b>	<b>(92,738)</b>	<b>24,246</b>
Net assets, beginning of year	6,868,134	1,214,376	8,082,510	325,360
<b>Net assets, end of year</b>	<b>\$ 6,877,008</b>	<b>\$ 1,112,764</b>	<b>\$ 7,989,772</b>	<b>\$ 349,606</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water and Sewer	Marina	Total	
<b>Cash flows from operating activities</b>				
Cash collected from customers	\$ 729,488	\$ 403,804	\$ 1,133,292	\$ -
Cash collected from other funds	-	-	-	187,825
Cash paid for employee wages and benefits	(278,602)	(167,819)	(446,421)	(48,472)
Cash paid for interfund services	(20,214)	(115)	(20,329)	-
Cash paid for other operating and administrative expenses	(253,356)	(289,344)	(542,700)	(67,351)
<b>Net cash provided by (used in) operating activities</b>	<b>177,316</b>	<b>(53,474)</b>	<b>123,842</b>	<b>72,002</b>
<b>Cash flows from capital and related financing activities</b>				
Interest payments	(26,713)	-	(26,713)	-
Principal payments	(50,000)	-	(50,000)	-
Purchase of property and equipment	(110,889)	-	(110,889)	-
Transfer out	(16,394)	-	(16,394)	-
<b>Net cash used in capital and related financing activities</b>	<b>(203,996)</b>	<b>-</b>	<b>(203,996)</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Repayment of advance to other funds	49,607	-	49,607	-
Repayment of advance to component unit	-	10,316	10,316	-
Interest earnings	24,282	2,392	26,674	2,090
Sale of investments	(69,578)	5,480	(64,098)	(35,616)
<b>Net cash provided by (used in) investing activities</b>	<b>4,311</b>	<b>18,188</b>	<b>22,499</b>	<b>(33,526)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(22,369)</b>	<b>(35,286)</b>	<b>(57,655)</b>	<b>38,476</b>
Cash and cash equivalents, beginning of year	607,052	148,272	755,324	46,896
<b>Cash and cash equivalents, end of year</b>	<b>\$ 584,683</b>	<b>\$ 112,986</b>	<b>\$ 697,669</b>	<b>\$ 85,372</b>

Continued...

# VILLAGE OF MACKINAW CITY

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Marina	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ 27,699	\$ (104,004)	\$ (76,305)	\$ 22,156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	148,240	61,015	209,255	50,629
Changes in operating assets and liabilities which provided (used) cash				
Due from other funds	-	-	-	(1,985)
Accounts receivable	(12,752)	(16,121)	(28,873)	-
Inventory	-	(3,765)	(3,765)	-
Accounts payable	15,064	(2,736)	12,328	1,390
Accrued expenses	(935)	(403)	(1,338)	(188)
Deferred revenue	-	12,540	12,540	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 177,316</b>	<b>\$ (53,474)</b>	<b>\$ 123,842</b>	<b>\$ 72,002</b>

Concluded

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MACKINAW CITY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**FEBRUARY 29, 2004**

	<u>Pension Trust Fund</u>	
	<u>Employees' Retirement System</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 4,856
Investments	800,911	-
<b>Total assets</b>	<b>800,911</b>	<b>4,856</b>
<b>Liabilities</b>		
Accounts payable	-	4,856
<b>Net assets</b>		
Reserved for employees' retirement system	<u>\$ 800,911</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MACKINAW CITY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUND**

**FOR THE YEAR ENDED FEBRUARY 29, 2004**

<b>Additions</b>	
Contributions	\$ 91,011
Investment income	<u>14,332</u>
<b>Total additions</b>	<b>105,343</b>
<b>Deductions</b>	
Benefits	<u>(24,768)</u>
<b>Change in net assets</b>	<b>80,575</b>
Net assets, beginning of year	<u>720,336</u>
<b>Net assets, end of year</b>	<b><u>\$ 800,911</u></b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the *Village of Mackinaw City*, (the "Village") and its component unit. The component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

**Discretely Presented Component Unit.** The amounts reported as the "discretely presented component unit" in the basic financial statements include the financial data of the Village's Downtown Development Authority ("DDA") to emphasize that it is legally separate from the Village. The members of the governing Board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Separate financial statements of the DDA have not been prepared.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

*Fund Financial Statements.* The fund financial statements provide information about the Village's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* accounts for the use of motor fuel taxes which are restricted by state statute for major street and highway purposes.

The *Local Street Fund* accounts for the use of motor fuel taxes which are restricted by state statute for local street and highway purposes.

The *Municipal Street Fund* accounts for the use of a tax levy which is used to supplement the Major and Local Street Funds.

The *Ambulance Fund* accounts for the operations of the Village-operated ambulance service.

The *1997 Special Assessment Bonds Fund* accounts for the 1997 special assessment revenues and the payments on the bonds issued for street improvements.

The *2000 Special Assessment Bonds Fund* accounts for the 2000 special assessment revenues and the payments on the bonds issued for street improvements.

The Village reports the following major enterprise funds:

The *Water and Sewer Fund* accounts for the activities of the Village's water distribution, water treatment, sewage disposal and sewage treatment systems.

The *Marina Fund* accounts for the operations of the Village-owned marina.

Additionally, the Village reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.



# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *Internal Service Funds* accounts for operations that provide machinery and equipment to other departments of the Village on a cost-reimbursement basis.

The *Pension Trust Fund* accounts for the activities of the Village's employee retirement system, which accumulates resources for retirement benefit payments to qualified employees.

The *Agency Funds* account for assets held for other governments and employees in an agency capacity.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.**

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

*Governmental Fund Financial Statements.* Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when both measurable and available. The Village considers all revenues reported in the governmental funds to be available if they are collected within sixty (60) days of the end of the current fiscal period. Property taxes, state shared revenue and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Village.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

### D. Assets, Liabilities and Net Assets or Equity

#### 1. *Deposits and Investments*

The Village maintains an investment pool for all Village funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "Cash and cash equivalents" and "Investments." The debt service and trust and agency funds cash resources are invested separately as required by law.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The Village's investments during the year consisted of certificate of deposits with original maturities of more than three months and pension trust investments held with a life insurance company.

#### 2. *Receivables and Payables*

All receivables are reported at their gross value, except the Ambulance Fund accounts receivable which is shown net of an estimated allowance for uncollectible accounts of \$20,000.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

### **Property Taxes**

The Village's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 14; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Cheboygan and Emmet Counties. Assessed values, as established annually by the government and subject to acceptance by the counties, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2003 levy was \$90,774,391. The Village's general operating tax rate for fiscal 2003-04 was 10.7269 mills with an additional 4.4121 mills for streets and .1810 mills for the cemetery.

Property taxes for the DDA are derived from a 1.8750 mill tax levied on the properties located within the DDA district under the authority of Public Act 197 of 1975.

Property taxes are recognized in the fiscal year in which they are levied.

### **3. Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method of accounting.

### **4. Restricted Assets**

Certain resources are set aside for repayment of the Village's Water and Sewer Enterprise Fund revenue bonds and are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

### **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, water and wastewater system and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-15
Buildings and building improvements	15-40
Water and wastewater system infrastructure	20-75
Machinery and equipment	5-25
Marina	7-40
Infrastructure	20

### 6. *Compensated Absences*

It is the Village's policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### 7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources.

### 8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. All annual appropriations lapse at fiscal year end.

On or before the third Thursday in February of each year, the Village Manager must present the proposed budget to the Village Council for review. The Council holds public hearings and a final budget must be prepared and adopted by resolution no later than the first day in March.

The budget document presents information by fund, function, department and line item. The legal level of budgetary control adopted by the Village Council is the function level which is the level at which expenditures may not exceed appropriations. The Village Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Village Council.

### 3. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

*Summary of Deposit and Investment Balances.* Following is a reconciliation of deposit and investment balances as of February 29, 2004:

	<u>Primary Government</u>	<u>Component Unit</u>
<b>Statement of Net Assets</b>		
Cash and cash equivalents	\$ 1,381,522	\$ 2,947
Investments	928,123	2,216
Restricted assets	143,000	-
<b>Statement of Fiduciary Net Assets</b>		
Cash and cash equivalents	4,856	-
Investments	<u>800,911</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 3,258,412</u></b>	<b><u>\$ 5,163</u></b>

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

The composition of deposits and investments for footnote disclosure is as follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 2,462,664
Investments in securities, mutual funds and similar vehicles	<u>800,911</u>
<b>Total</b>	<b><u>\$ 3,263,575</u></b>

At year end, the carrying amount of deposits was \$2,462,664. The bank balance was \$2,399,552. Of the bank balance, \$499,026 was covered by Federal Depository Insurance Corporation (FDIC). The remaining balance of \$1,900,526 was uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Village's Pension Trust Fund holds securities of \$800,911 in a trust fund of a life insurance company, which are not in the Village's name. Therefore, these investments are categorized as risk category 3. The carrying amount of the Pension Trust Fund investment is stated at fair value.

The GASB Statement No. 3 risk categories are as follows:

1. Insured or registered, or securities held by the Village or the Village's agent in the Village's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Village's name.
3. Uninsured and unregistered, with securities held by the counterparty or the counterparty's trust department or agent, but not in the Village's name.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

### B. Receivables

The composition of receivables is as follows as of February 29, 2004:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Special assessment receivable	\$ 537,430	\$ -	\$ -
Accounts receivable	91,160	163,928	-
Taxes receivable	69,925	-	2,671
Due from other governmental units	<u>62,014</u>	<u>-</u>	<u>-</u>
Total receivables	760,529	163,928	2,671
Less: allowance for doubtful accounts	<u>20,000</u>	<u>-</u>	<u>-</u>
<b>Total receivables, net</b>	<b><u>\$ 740,529</u></b>	<b><u>\$ 163,928</u></b>	<b><u>\$ 2,671</u></b>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds was \$547,311.

### C. Capital assets

Capital assets activity was as follows for the year ended February 29, 2004:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated – land	<u>\$ 606,079</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 856,079</u>
Capital assets being depreciated				
Buildings	1,764,664	-	-	1,764,664
Land improvements	592,461	82,722	-	675,183
Equipment	1,930,830	43,602	(29,875)	1,944,557
Infrastructure	<u>1,975,668</u>	<u>427,154</u>	<u>-</u>	<u>2,402,822</u>
Total capital assets being depreciated	<u>6,263,623</u>	<u>553,478</u>	<u>(29,875)</u>	<u>6,787,226</u>



# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Less accumulated depreciation on				
Buildings	\$ 232,452	\$ 48,268	\$ -	\$ 280,720
Land improvements	329,170	40,206	-	369,376
Equipment	851,072	131,240	(29,875)	952,437
Infrastructure	<u>253,904</u>	<u>102,253</u>	<u>-</u>	<u>356,157</u>
Total accumulated depreciation	<u>1,666,598</u>	<u>321,967</u>	<u>(29,875)</u>	<u>1,958,690</u>
Total capital assets being depreciated, net	<u>4,597,025</u>	<u>231,511</u>	<u>-</u>	<u>4,828,536</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$5,203,104</u></b>	<b><u>\$ 481,511</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,684,615</u></b>
<b>Business-type activities</b>				
Capital assets not being depreciated – land	<u>\$ 74,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,087</u>
Capital assets being depreciated				
Buildings	71,791	-	-	71,791
Improvements other than buildings	7,581,927	7,807	(3,860)	7,585,874
Machinery and equipment	352,809	103,082	(34,718)	421,173
Marina	<u>1,597,903</u>	<u>-</u>	<u>(35,342)</u>	<u>1,562,561</u>
Total capital assets being depreciated	<u>9,604,430</u>	<u>110,889</u>	<u>(73,920)</u>	<u>9,641,399</u>
Less accumulated depreciation for				
Buildings	15,317	2,605	-	17,922
Improvements other than buildings	1,802,866	124,971	(3,860)	1,923,977
Machinery and equipment	164,028	37,418	(34,718)	166,728
Marina	<u>688,404</u>	<u>44,261</u>	<u>(35,342)</u>	<u>697,323</u>
Total accumulated depreciation	<u>2,670,615</u>	<u>209,255</u>	<u>(73,920)</u>	<u>2,805,950</u>
Total capital assets being depreciated, net	<u>6,933,815</u>	<u>(98,366)</u>	<u>-</u>	<u>6,835,449</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$7,007,902</u></b>	<b><u>\$ (98,366)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,909,536</u></b>

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

### **Governmental activities**

General government	\$ 18,658
Public safety	52,603
Public works	2,783
Highways and streets	104,949
Health and welfare	7,115
Recreation and culture	85,230
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>50,629</u>

**Total depreciation expense – governmental activities** **\$ 321,967**

### **Business-type activities**

Marina	\$ 61,015
Sewer	105,397
Water	<u>42,843</u>

**Total depreciation expense – business-type activities** **\$ 209,255**

### **D. Accounts payable and accrued expenses**

The composition of accounts payable and accrued expenses is as follows at February 29, 2004:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Accounts payable	\$ 42,690	\$ 24,848
Accrued expenses	<u>48,040</u>	<u>5,829</u>
<b>Total accounts payables and accrued expenses</b>	<u><b>\$ 90,730</b></u>	<u><b>\$ 30,677</b></u>

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

### E. Interfund receivables, payables and transfers

The General Fund advanced \$90,000 to the Downtown Development Authority - Component Unit during the fiscal year ended February 28, 1999 for the purpose of purchasing property. The advance is to be repaid over ten years with interest charged at 3.50%. At February 29, 2004, the outstanding balance of this advance was \$24,181.

The Sewer Enterprise Fund advanced \$258,355 to the General Fund during the year ended February 28, 2003 for the purpose of assisting the Recreation Center Fund in construction of the ice rink facility. The advance is to be repaid over five years with interest charged at 4.28%. At February 29, 2004, the outstanding balance of this advance was \$161,049.

Other interfund receivables and payables of \$1,985 result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In addition, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of the Internal Service Fund.

Interfund transfers consisted of the following for the year ended February 29, 2004:

<u>Operating transfers in</u>	<u>Operating transfer out</u>				
	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Primary Government Total</u>
General Fund	\$ -	\$ -	\$ -	\$ 24,353	\$ 24,353
Major Street Fund	-	434,900	-	13,890	448,790
Local Street Fund	-	86,300	-	-	86,300
Municipal Street Fund	-	-	-	151,000	151,000
Nonmajor governmental funds	<u>282,313</u>	<u>7,770</u>	<u>16,394</u>	<u>4,343</u>	<u>310,820</u>
<b>Total operating transfers</b>	<b><u>\$282,313</u></b>	<b><u>\$ 528,970</u></b>	<b><u>\$ 16,394</u></b>	<b><u>\$ 193,586</u></b>	<b><u>\$ 1,021,263</u></b>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

### F. Pension plan

The Village provides pension benefits for all of its full-time employees through a defined contribution plan, the Village of Mackinaw City Pension Plan and Trust, which is administered and maintained through a life insurance company. Benefits depend solely on amounts contributed to the Plan, plus investment earnings. Each individual employee has a flexible retirement annuity. Employees are eligible to participate after one year of continuous employment and having attained the age of 19. The contribution to the Plan is made by the Village based upon 10% of employee's base pay, excluding overtime.

Plan provisions and contribution requirements are established and may be amended by the Village Council. Normal retirement age is the employee's 55th birthday or the 10th anniversary of the participation commencement date. Participants are 100% vested upon entry date into the Plan. The Village made the required 10% contribution in the amount of \$80,042 for the plan year ended June 30, 2003.

### G. Long-term debt

A summary of long-term debt and transactions related thereto is as follows for the year ended February 29, 2004:

	<u>Balance</u> <u>March 1,</u> <u>2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>February 29,</u> <u>2004</u>	<u>Due</u> <u>Within</u> <u>1 Year</u>
<b>Governmental activities</b>					
2002 Capital Improvement Bonds maturing serially through fiscal 2013 in annual payments ranging from \$25,000 to \$35,000 and bearing interest from 2.0% to 4.1%.	\$ 300,000	\$ -	\$ (25,000)	\$ 275,000	\$ 25,000
2000 Special Assessment Limited Tax Bonds maturing serially through fiscal 2010 in annual payments ranging from \$20,000 to \$30,000 and bearing interest from 5.3% to 5.65%.	200,000	-	(30,000)	170,000	30,000

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

	<u>Balance March 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance February 29, 2004</u>	<u>Due Within 1 Year</u>
1997 Act .99 installment contract maturing in fiscal 2008 in semi-annual payments of \$22,260 including interest at 4.94%.	\$ 177,681	\$ -	\$ (36,184)	\$ 141,497	\$ 37,993
1998 Act 99 installment contract maturing in fiscal 2009 in semi-annual payments of \$16,798 including interest at 4.28%.	176,129	-	(26,337)	149,792	27,476
1997 Special Assessment Limited Tax Bonds maturing serially through fiscal 2007 in annual payments ranging from \$40,000 to \$45,000 and bearing interest from 4.8% to 5.0%.	175,000	-	(45,000)	130,000	45,000
2000 Revenue Bonds maturing serially through fiscal 2011 in annual payments ranging from \$15,000 to \$25,000 and bearing interest from 5.3% to 5.75%.	170,000	-	(15,000)	155,000	20,000
2000 General Obligation Limited Tax Bonds maturing serially through fiscal 2010 in annual payments ranging from \$20,000 to \$25,000 and bearing interest from 5.3% to 5.65%.	155,000	-	(20,000)	135,000	20,000
1999 Act 99 installment contract maturing in fiscal 2010 in semi-annual payments of \$12,397 including interest at 4.28%.	139,399	-	(19,030)	120,368	19,853

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

	<u>Balance March 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance February 29, 2004</u>	<u>Due Within 1 Year</u>
1999 Special Assessment Limited Tax Bonds maturing serially through fiscal 2009 in annual payments ranging from \$17,000 to \$25,000 and bearing interest ranging from 4.0% to 4.4%.	\$ 120,000	\$ -	\$ (17,000)	\$ 103,000	\$ 18,000
Liability for accrued compensated absences	<u>160,174</u>	<u>28,480</u>	<u>-</u>	<u>188,654</u>	<u>-</u>
<b>Total governmental activities long-term debt</b>	<b><u>1,773,383</u></b>	<b><u>28,480</u></b>	<b><u>(233,551)</u></b>	<b><u>1,568,311</u></b>	<b><u>243,322</u></b>
<b>Business-type activities</b>					
<b>Enterprise Funds</b>					
Water Revenue Bonds maturing serially through fiscal 2020 in annual payments ranging from \$15,000 to \$30,000 and bearing interest at 5%.	335,000	-	(15,000)	320,000	15,000
1997 Sewer Revenue Refunding Bonds maturing serially through fiscal 2008 in annual payments ranging from \$35,000 to \$50,000 and bearing interest from 4.55% to 4.9%.	<u>215,000</u>	<u>-</u>	<u>(35,000)</u>	<u>180,000</u>	<u>40,000</u>
<b>Total business-type activities long-term debt</b>	<b><u>550,000</u></b>	<b><u>-</u></b>	<b><u>(50,000)</u></b>	<b><u>500,000</u></b>	<b><u>55,000</u></b>
<b>Total long-term debt</b>	<b><u>\$ 2,323,383</u></b>	<b><u>\$ 28,480</u></b>	<b><u>\$ (283,551)</u></b>	<b><u>\$ 2,068,311</u></b>	<b><u>\$ 298,322</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for the above obligations except for the liability for accrued compensated absences is as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$ 243,322	\$ 60,556	\$ 55,000	\$ 24,405
2006	248,270	49,382	55,000	21,835
2007	253,402	37,814	65,000	19,225
2008	201,462	25,805	65,000	16,125
2009	191,066	16,736	15,000	13,000
2010-2014	242,135	18,074	95,000	52,250
2015-2019	-	-	120,000	26,000
2020	-	-	30,000	1,500
	<b><u>\$ 1,379,657</u></b>	<b><u>\$ 208,367</u></b>	<b><u>\$ 500,000</u></b>	<b><u>\$ 174,340</u></b>

Total interest expense for the Village for the year was \$105,317.

### H. Restatement - Correction of an error

During the fiscal year ended February 29, 2004, the beginning fund balance in the Ambulance Fund and the beginning net assets in the governmental activities were restated to reflect a \$20,000 correction of a prior period error in recording the allowance for doubtful accounts. This correction does not affect the current year results of operations.

## 4. OTHER INFORMATION

### A. Risk Management and Litigation

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# VILLAGE OF MACKINAW CITY

## NOTES TO FINANCIAL STATEMENTS

---

### **B. Net Asset Deficit**

Deficit net assets in the Downtown Development Authority exist in the amount of \$16,347 at February 29, 2004. The Village is in the process of submitting a deficit elimination plan to the Department of Treasury, in accordance with Public Act 275 of 1980.

\*\*\*\*\*



## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF MACKINAW CITY

## DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Taxes</b>				
Current property tax	\$ 905,300	\$ 915,458	\$ 967,204	\$ 51,746
Property tax administration fees	21,000	21,000	20,672	(328)
<b>Total taxes</b>	<b>926,300</b>	<b>936,458</b>	<b>987,876</b>	<b>51,418</b>
<b>Federal revenues</b>				
DNR Trail grant	68,000	68,000	-	(68,000)
DEQ grant	18,500	18,500	69,729	51,229
<b>Total federal revenues</b>	<b>86,500</b>	<b>86,500</b>	<b>69,729</b>	<b>(16,771)</b>
<b>State revenues</b>				
Liquor licenses	8,900	8,900	8,878	(22)
Other state revenue	98,000	98,000	120,962	22,962
<b>Total state revenues</b>	<b>106,900</b>	<b>106,900</b>	<b>129,840</b>	<b>22,940</b>
<b>Licenses and permits</b>				
Business licenses and permits	2,000	2,000	3,665	1,665
Non-business licenses and permits	4,000	4,000	8,390	4,390
<b>Total licenses and permits</b>	<b>6,000</b>	<b>6,000</b>	<b>12,055</b>	<b>6,055</b>
<b>Contributions</b>				
Other governmental units	12,000	256,000	269,424	13,424
Other	-	-	3,595	3,595
<b>Total contributions</b>	<b>12,000</b>	<b>256,000</b>	<b>273,019</b>	<b>17,019</b>
<b>Charges for services</b>	<b>240</b>	<b>240</b>	<b>13,952</b>	<b>13,712</b>
<b>Fines and forfeits</b>	<b>1,800</b>	<b>1,800</b>	<b>2,063</b>	<b>263</b>
<b>Interest earnings</b>	<b>31,000</b>	<b>31,000</b>	<b>31,696</b>	<b>696</b>
<b>Rents and royalties</b>	<b>138,000</b>	<b>138,000</b>	<b>115,069</b>	<b>(22,931)</b>
<b>Miscellaneous</b>	<b>2,000</b>	<b>2,000</b>	<b>13,123</b>	<b>11,123</b>
<b>Total revenues</b>	<b>1,310,740</b>	<b>1,564,898</b>	<b>1,648,422</b>	<b>83,524</b>
<b>Other financing sources</b>				
Bond proceeds	110,000	110,000	-	(110,000)
Transfer in	79,000	79,000	24,353	(54,647)
<b>Total other financing sources</b>	<b>189,000</b>	<b>189,000</b>	<b>24,353</b>	<b>(164,647)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 1,499,740</b>	<b>\$ 1,753,898</b>	<b>\$ 1,672,775</b>	<b>\$ (81,123)</b>

# VILLAGE OF MACKINAW CITY

## DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
<b>Legislative</b>				
Village council	\$ 30,300	\$ 35,313	\$ 35,313	\$ -
<b>General government</b>				
Village manager	84,600	84,600	84,551	49
Clerk - elections	2,540	2,540	1,651	889
Professional services	25,240	25,240	23,661	1,579
Clerk	31,600	31,600	31,170	430
Treasurer	30,400	30,400	30,634	(234)
Community development director	59,750	59,750	66,086	(6,336)
Village hall and grounds	170,510	170,510	76,228	94,282
Village property - other	57,250	80,324	158,227	(77,903)
Promotional	56,725	56,725	69,481	(12,756)
<b>Total general government</b>	<b>518,615</b>	<b>541,689</b>	<b>541,689</b>	<b>-</b>
<b>Public safety</b>				
Police department	358,100	425,353	417,899	7,454
Fire department	65,570	65,570	73,024	(7,454)
<b>Total public safety</b>	<b>423,670</b>	<b>490,923</b>	<b>490,923</b>	<b>-</b>
<b>Public works - state dock</b>	<b>-</b>	<b>1,732</b>	<b>1,732</b>	<b>-</b>
<b>Recreation and culture</b>	<b>213,550</b>	<b>368,210</b>	<b>367,235</b>	<b>975</b>
<b>Other functions</b>	<b>12,500</b>	<b>12,500</b>	<b>9,016</b>	<b>3,484</b>
<b>Debt service</b>	<b>-</b>	<b>8,426</b>	<b>8,426</b>	<b>-</b>
<b>Total expenditures</b>	<b>1,198,635</b>	<b>1,458,793</b>	<b>1,454,334</b>	<b>4,459</b>
<b>Other financing uses</b>				
Transfers out	306,453	306,453	282,313	24,140
<b>Total expenditures and other financing uses</b>	<b>\$ 1,505,088</b>	<b>\$ 1,765,246</b>	<b>\$ 1,736,647</b>	<b>\$ 28,599</b>

# VILLAGE OF MACKINAW CITY

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

FEBRUARY 29, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 164,750	\$ 40,168	\$ 506	\$ 205,424
Investments	112,568	-	380	112,948
Accounts receivable	37,922	-	-	37,922
Taxes receivable	816	-	-	816
Special assessment receivable	-	75,238	-	75,238
Restricted assets	-	23,000	-	23,000
<b>Total assets</b>	<b>\$ 316,056</b>	<b>\$ 138,406</b>	<b>\$ 886</b>	<b>\$ 455,348</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,792	\$ -	\$ -	\$ 2,792
Accrued expenses	489	-	-	489
Due to other funds	1,985	-	-	1,985
Deferred revenue	-	75,238	-	75,238
<b>Total liabilities</b>	<b>5,266</b>	<b>75,238</b>	<b>-</b>	<b>80,504</b>
<b>Fund balances</b>				
Reserved				
Recreational facilities	7,972	-	-	7,972
Debt service	-	63,168	-	63,168
Unreserved				
Designated				
Subsequent years' expenditures	4,559	-	-	4,559
Accrued sick and vacation	91,939	-	-	91,939
State dock maintenance	61,688	-	-	61,688
Undesignated	144,632	-	886	145,518
<b>Total fund balances</b>	<b>310,790</b>	<b>63,168</b>	<b>886</b>	<b>374,844</b>
<b>Total liabilities and fund balances</b>	<b>\$ 316,056</b>	<b>\$ 138,406</b>	<b>\$ 886</b>	<b>\$ 455,348</b>

# VILLAGE OF MACKINAW CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<b>Revenues</b>				
Property taxes	\$ 16,404	\$ -	\$ -	\$ 16,404
State revenue	9,954	-	-	9,954
Special assessments	-	27,914	-	27,914
Contributions	9,317	-	-	9,317
Charges for services	60,785	-	-	60,785
Interest	2,952	8,506	14	11,472
Miscellaneous	21,677	-	-	21,677
<b>Total revenues</b>	<b>121,089</b>	<b>36,420</b>	<b>14</b>	<b>157,523</b>
<b>Expenditures</b>				
Current				
General government	36,936	-	-	36,936
Health and welfare	2,693	-	-	2,693
Recreation	124,171	-	-	124,171
Other	7,143	-	-	7,143
Capital outlay	13,190	-	-	13,190
Debt service				
Principal payments	-	158,551	-	158,551
Interest and paying agent fees	-	53,316	-	53,316
<b>Total expenditures</b>	<b>184,133</b>	<b>211,867</b>	<b>-</b>	<b>396,000</b>
<b>Revenues over (under) expenditures</b>	<b>(63,044)</b>	<b>(175,447)</b>	<b>14</b>	<b>(238,477)</b>
<b>Other financing sources (uses)</b>				
Transfers in	96,949	213,871	-	310,820
Transfers out	(23,568)	(5,128)	(164,890)	(193,586)
<b>Total other financing sources (uses)</b>	<b>73,381</b>	<b>208,743</b>	<b>(164,890)</b>	<b>117,234</b>
<b>Net change in fund balances</b>	<b>10,337</b>	<b>33,296</b>	<b>(164,876)</b>	<b>(121,243)</b>
Fund balances, beginning of year	300,453	29,872	165,762	496,087
<b>Fund balances, end of year</b>	<b>\$ 310,790</b>	<b>\$ 63,168</b>	<b>\$ 886</b>	<b>\$ 374,844</b>

**VILLAGE OF MACKINAW CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**FEBRUARY 29, 2004**

	<u>Cemetery</u>	<u>Recreation Complex</u>	<u>Recreation Center</u>	<u>Performance Shell</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,540	\$ 7,792	\$ 1,515	\$ 489
Investments	38,016	5,861	1,140	368
Accounts receivable	-	-	37,922	-
Taxes receivable	816	-	-	-
<b>Total assets</b>	<b>\$ 89,372</b>	<b>\$ 13,653</b>	<b>\$ 40,577</b>	<b>\$ 857</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 590	\$ 2,202	\$ -
Accrued expenses	-	249	240	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>839</b>	<b>2,442</b>	<b>-</b>
<b>Fund balances</b>				
Reserved - recreation facilities	-	7,972	-	-
Unreserved				
Designated				
Subsequent years' expenditures	4,559	-	-	-
Accrued sick and vacation	-	-	-	-
State dock maintenance	-	-	-	-
Undesignated	84,813	4,842	38,135	857
<b>Total fund balances</b>	<b>89,372</b>	<b>12,814</b>	<b>38,135</b>	<b>857</b>
<b>Total liabilities and fund balances</b>	<b>\$ 89,372</b>	<b>\$ 13,653</b>	<b>\$ 40,577</b>	<b>\$ 857</b>

<b>Planning Commission</b>	<b>Economic Development Commission</b>	<b>State Dock Parking Lot Maintenance</b>	<b>Trail Groomer</b>	<b>Employee Sick and Vacation</b>	<b>Total</b>
\$ 3,518	\$ 5,604	\$ 41,688	\$ 1,133	\$ 52,471	\$ 164,750
2,647	4,216	20,000	852	39,468	112,568
-	-	-	-	-	37,922
-	-	-	-	-	816
<b>\$ 6,165</b>	<b>\$ 9,820</b>	<b>\$ 61,688</b>	<b>\$ 1,985</b>	<b>\$ 91,939</b>	<b>\$ 316,056</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,792
-	-	-	-	-	489
-	-	-	1,985	-	1,985
-	-	-	1,985	-	5,266
-	-	-	-	-	7,972
-	-	-	-	-	4,559
-	-	-	-	91,939	91,939
-	-	61,688	-	-	61,688
6,165	9,820	-	-	-	144,632
<b>6,165</b>	<b>9,820</b>	<b>61,688</b>	<b>-</b>	<b>91,939</b>	<b>310,790</b>
<b>\$ 6,165</b>	<b>\$ 9,820</b>	<b>\$ 61,688</b>	<b>\$ 1,985</b>	<b>\$ 91,939</b>	<b>\$ 316,056</b>

# VILLAGE OF MACKINAW CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Cemetery	Recreation Complex	Recreation Center	Performance Shell
<b>Revenues</b>				
Taxes	\$ 16,404	\$ -	\$ -	\$ -
State revenue	-	-	-	-
Contributions from other governmental units	-	1,000	2,850	-
Charges for services	11,530	2,426	43,182	-
Interest	1,439	22	45	14
Miscellaneous	-	681	20,996	-
<b>Total revenues</b>	<b>29,373</b>	<b>4,129</b>	<b>67,073</b>	<b>14</b>
<b>Expenditures</b>				
Current				
General government	36,936	-	-	-
Health and welfare	-	-	-	-
Recreation	-	34,516	68,226	4,023
Other	-	-	-	-
Capital outlay	3,115	5,790	4,285	-
<b>Total expenditures</b>	<b>40,051</b>	<b>40,306</b>	<b>72,511</b>	<b>4,023</b>
<b>Revenues over (under) expenditures</b>	<b>(10,678)</b>	<b>(36,177)</b>	<b>(5,438)</b>	<b>(4,009)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	40,780	40,000	4,200
Transfers out	-	-	(4,343)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>40,780</b>	<b>35,657</b>	<b>4,200</b>
<b>Net change in fund balances</b>	<b>(10,678)</b>	<b>4,603</b>	<b>30,219</b>	<b>191</b>
Fund balances, beginning of year	100,050	8,211	7,916	666
<b>Fund balances, end of year</b>	<b>\$ 89,372</b>	<b>\$ 12,814</b>	<b>\$ 38,135</b>	<b>\$ 857</b>



<b>Planning Commission</b>	<b>Economic Development Commission</b>	<b>State Dock Parking Lot Maintenance</b>	<b>Trail Groomer</b>	<b>Employee Sick and Vacation</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,404
-	-	-	9,954	-	9,954
-	-	-	5,467	-	9,317
3,647	-	-	-	-	60,785
124	50	613	16	629	2,952
-	-	-	-	-	21,677
<b>3,771</b>	<b>50</b>	<b>613</b>	<b>15,437</b>	<b>629</b>	<b>121,089</b>
-	-	-	-	-	36,936
-	-	-	-	2,693	2,693
-	-	-	17,406	-	124,171
6,442	701	-	-	-	7,143
-	-	-	-	-	13,190
<b>6,442</b>	<b>701</b>	<b>-</b>	<b>17,406</b>	<b>2,693</b>	<b>184,133</b>
<b>(2,671)</b>	<b>(651)</b>	<b>613</b>	<b>(1,969)</b>	<b>(2,064)</b>	<b>(63,044)</b>
-	10,000	-	1,969	-	96,949
-	-	(19,225)	-	-	(23,568)
-	<b>10,000</b>	<b>(19,225)</b>	<b>1,969</b>	<b>-</b>	<b>73,381</b>
<b>(2,671)</b>	<b>9,349</b>	<b>(18,612)</b>	<b>-</b>	<b>(2,064)</b>	<b>10,337</b>
8,836	471	80,300	-	94,003	300,453
<b>\$ 6,165</b>	<b>\$ 9,820</b>	<b>\$ 61,688</b>	<b>\$ -</b>	<b>\$ 91,939</b>	<b>\$ 310,790</b>

# VILLAGE OF MACKINAW CITY

## COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

FEBRUARY 29, 2004

	1993 Special Assessment Bonds	1998 Act 99 Installment Contract Ice System	2000 General Obligation Bonds	2000 Revenue Bond Recreation Center
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 2,515	\$ 1,667	\$ 82
Special assessments receivable	-	-	-	-
Restricted assets	-	-	-	23,000
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 2,515</b>	<b>\$ 1,667</b>	<b>\$ 23,082</b>
<b>FUND BALANCES</b>				
<b>Liabilities</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
<b>Fund balances</b>				
Reserved for debt service	-	2,515	1,667	23,082
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 2,515</b>	<b>\$ 1,667</b>	<b>\$ 23,082</b>

<b>1997 Act 99 Installment Contract</b>	<b>1998 Act 99 Installment Contract</b>	<b>1999 Special Assessment Bonds</b>	<b>2002 General Obligation Bonds</b>	<b>Total</b>
\$ -	\$ -	\$ 35,824	\$ 80	\$ 40,168
-	-	75,238	-	75,238
-	-	-	-	23,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,062</u>	<u>\$ 80</u>	<u>\$ 138,406</u>
\$ -	\$ -	\$ 75,238	\$ -	\$ 75,238
-	-	35,824	80	63,168
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,062</u>	<u>\$ 80</u>	<u>\$ 138,406</u>

# VILLAGE OF MACKINAW CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	1993 Special Assessment Bonds	1998 Act 99 Installment Contract Ice System	2000 General Obligation Bonds	2000 Revenue Bond Recreation Center
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Interest	2,217	13	4	-
<b>Total revenues</b>	<u>2,217</u>	<u>13</u>	<u>4</u>	<u>-</u>
<b>Expenditures</b>				
Principal payments	-	26,337	20,000	15,000
Interest and paying agent fees	-	7,260	8,000	9,083
<b>Total expenditures</b>	<u>-</u>	<u>33,597</u>	<u>28,000</u>	<u>24,083</u>
<b>Revenues over (under) expenditures</b>	<u>2,217</u>	<u>(33,584)</u>	<u>(27,996)</u>	<u>(24,083)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	33,596	28,955	47,083
Transfers out	(5,128)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(5,128)</u>	<u>33,596</u>	<u>28,955</u>	<u>47,083</u>
<b>Net change in fund balances</b>	<u>(2,911)</u>	<u>12</u>	<u>959</u>	<u>23,000</u>
Fund balances, beginning of year	2,911	2,503	708	82
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 2,515</u>	<u>\$ 1,667</u>	<u>\$ 23,082</u>

<b>1997 Act 99 Installment Contract</b>	<b>1998 Act 99 Installment Contract</b>	<b>1999 Special Assessment Bonds</b>	<b>2002 General Obligation Bonds</b>	<b>Total</b>
\$ -	\$ -	\$ 27,914	\$ -	\$ 27,914
-	-	6,267	5	8,506
-	-	<b>34,181</b>	<b>5</b>	<b>36,420</b>
36,184	19,030	17,000	25,000	158,551
8,336	5,764	5,025	9,848	53,316
<b>44,520</b>	<b>24,794</b>	<b>22,025</b>	<b>34,848</b>	<b>211,867</b>
<b>(44,520)</b>	<b>(24,794)</b>	<b>12,156</b>	<b>(34,843)</b>	<b>(175,447)</b>
44,520	24,794	-	34,923	213,871
-	-	-	-	(5,128)
<b>44,520</b>	<b>24,794</b>	<b>-</b>	<b>34,923</b>	<b>208,743</b>
-	-	<b>12,156</b>	<b>80</b>	<b>33,296</b>
-	-	23,668	-	29,872
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,824</b>	<b>\$ 80</b>	<b>\$ 63,168</b>

**VILLAGE OF MACKINAW CITY**

**COMBINING BALANCE SHEET**

**NONMAJOR CAPITAL PROJECT FUNDS**

**FEBRUARY 29, 2004**

---

		<b>Waterfront Development</b>	<b>2002 Capital Projects</b>	<b>Total</b>
	<b>ASSETS</b>			
Cash and cash equivalents		\$ 506	\$ -	\$ 506
Investments		380	-	380
<b>Total assets</b>		<b><u>\$ 886</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 886</u></b>
	<b>FUND BALANCES</b>			
<b>Fund balances - unreserved</b>		<b><u>\$ 886</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 886</u></b>

**VILLAGE OF MACKINAW CITY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS**

**FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<b>Waterfront Development</b>	<b>2002 Capital Projects</b>	<b>Total</b>
<b>Revenues</b>			
Interest	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>
<b>Other financing uses</b>			
Transfers out	<u>-</u>	<u>(164,890)</u>	<u>(164,890)</u>
<b>Net change in fund balances</b>	<b>14</b>	<b>(164,890)</b>	<b>(164,876)</b>
Fund balances, beginning of year	<u>872</u>	<u>164,890</u>	<u>165,762</u>
<b>Fund balances, end of year</b>	<u><b>\$ 886</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 886</b></u>

# VILLAGE OF MACKINAW CITY

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Balance March 1, 2003	Additions	Deductions	Balance February 29, 2004
<b><u>TAX COLLECTION FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101	\$ 1,461,212	\$ 1,461,213	\$ 100
<b>LIABILITIES</b>				
Due to other funds	\$ 101	\$ 1,348,437	\$ 1,348,438	\$ 100
Due to component units	-	32,785	32,785	-
Due to other governmental units	-	79,990	79,990	-
<b>Total liabilities</b>	<b>\$ 101</b>	<b>\$ 1,461,212</b>	<b>\$ 1,461,213</b>	<b>\$ 100</b>
<b><u>EMPLOYEE FLEX PLAN FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,390	\$ 11,083	\$ 9,717	\$ 4,756
<b>LIABILITIES</b>				
Due to employees	\$ 3,390	\$ 11,083	\$ 9,717	\$ 4,756
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,491	\$ 1,472,295	\$ 1,470,930	\$ 4,856
<b>LIABILITIES</b>				
Due to other funds	101	1,348,437	1,348,438	100
Due to component units	-	32,785	32,785	-
Due to other governmental units	-	79,990	79,990	-
Due to employees	3,390	11,083	9,717	4,756
<b>Total liabilities</b>	<b>\$ 3,491</b>	<b>\$ 1,472,295</b>	<b>\$ 1,470,930</b>	<b>\$ 4,856</b>





**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

June 14, 2004

Village Council  
Village of Mackinaw City  
Mackinaw City, Michigan

We have audited the financial statements of the *Village of Mackinaw City* (the "Village"), as of and for the year ended February 29, 2004, and have issued our report thereon dated June 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 14, 2004.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Johnson*



# REHMANN ROBSON

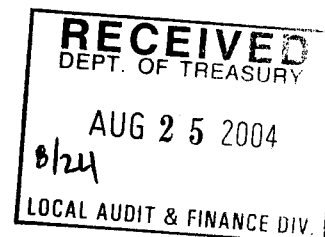
*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

June 14, 2004

Village Council  
Village of Mackinaw City  
Mackinaw City, MI 49701



Through our role in performing financial statement services for the past several years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the basic financial statements of the *Village of Mackinaw City* for the year ended February 29, 2004, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during the above-mentioned engagement, we became aware of opportunities for improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated June 14, 2004 on the financial statements of the *Village of Mackinaw City*.

We have already discussed these comments and suggestions with the Village Manager, Village Clerk and Village Treasurer, and we would be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

If we can be of assistance in the areas we have discussed or in other areas, we hope you will view us as an integral part of your team.

Best wishes for a successful 2004-2005.

*Rehmann Robson*

# **VILLAGE OF MACKINAW CITY**

## **COMMENTS AND RECOMMENDATIONS**

**FEBRUARY 29, 2004**

---

### **Deficit Fund Balance in Downtown Development Authority Component Unit Fund**

At February 29, 2004, a deficit fund balance existed in the Downtown Development Authority Component Unit Fund. This resulted from the completion of projects in prior years for which costs exceed the revenues. This deficit will be reduced each year as property tax revenues are collected. While the fund balance remains in a deficit position, the Village is required to file an annual deficit elimination plan with the State of Michigan Department of Treasury.

### **Liability for Accrued Sick and Vacation**

As of February 29, 2004, the Village's liability for accrued sick and vacation is approximately \$189,000. The Village has approximately \$92,000 reserved for related benefits available to employees upon retirement. The Village should monitor the cash flow requirements to retire this liability based on the expected retirement date and expected individual payout amounts related to each employee of the Village. This will provide information necessary for the Village to budget the required annual general fund transfer.

### **Electronic Filing of Audit Reports**

The Michigan Department of Treasury (the "Treasury") has issued Numbered Letter 2004-5 which requests (under the authority of Michigan Compiled Law 141.427(1)) that all audits required in accordance with Public Act 2 of 1968 and Public Act 71 of 1919 be submitted electronically to the Treasury in a Portable Document Format (PDF) compatible with Adobe Acrobat. Although this filing process is not mandated at this time, the Treasury is strongly recommending that all governmental units file their year end audit reports including the Auditing Procedures Report (496) and management comment and recommendation letter electronically. If the Village would like to file its annual report with the Treasury in this format, Rehmann Robson is willing to assist in generating the data file.

## **Ambulance Operations**

The Village's process of billing for ambulance runs is complicated due to the multiple insurance carriers being billed, types and amount of patient insurance coverage available to cover the ambulance run, and reimbursement rates for Medicare and Medicaid.

Medicare and Medicaid caps the amount that may be billed for an ambulance run and the portion above this cap can not be billed to the patient; therefore, the Ambulance Fund can not recover the difference. This has resulted in a significant increase in the amount of ambulance billings that must be written-off each year. Because of the increased write-offs and the difficulty the Village has encountered in collecting from the uninsured patient, the Ambulance Fund has experienced net losses (expenditures greater than revenues).

The Village should consider performing an ambulance billing rate study to determine the appropriate amount of revenue that would be required to be collected to offset the costs of operating the ambulance. The Village should also evaluate whether the General Fund should continue to increase its subsidy to the Ambulance Fund or if additional revenue sources should be considered to offset the costs of operating the ambulance service.

## **Conclusion**

Thank you for your business. It has been a pleasure to provide audit services to the *Village of Mackinaw City*. We appreciate the positive, prompt assistance provided by the Village's personnel. All audit information requests were satisfied promptly. We appreciate your business!